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**ANNUAL AUDITED  
FORM X-17A-5  
PART III**

FEB 24 2020

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FACING PAGE

**Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING 1-1-2019 AND ENDING 12-31-2019  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: **South Atlantic Enterprises, Inc.**

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)  
**6135 Park South Drive, Suite 510**

OFFICIAL USE ONLY
FIRM I.D. NO.

(No. and Street)

Charlotte

NC

28210

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Robert L. Abbott Jr. 704-749-3139

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

**Scharf Pera & Co. PLLC**

(Name - if individual, state last, first, middle name)

4600 Park Road, Suite 112

Charlotte

NC

28209

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

☒  
☐  
☐

Certified Public Accountant

Public Accountant

Accountant not resident in United States or any of its possessions.

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FEB 25 2020

Washington DC  
415

**FOR OFFICIAL USE ONLY**

\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

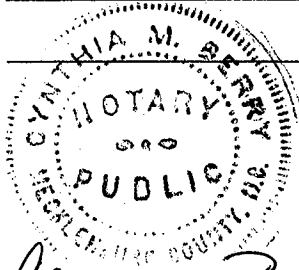
SEC 1410 (11-05)

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## OATH OR AFFIRMATION

I, Robert L. Abbott, Jr., swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of South Atlantic Enterprises, Inc., as of February 20, 2020, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:



Robert L. Abbott  
Signature

President

**Title**

Cynthia M. Berry  
Notary Public *Com. Expire: October 30, 2021*

**This report \*\* contains (check all applicable boxes):**

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss) or, if there is other comprehensive income in the period(s) presented, a Statement of Comprehensive Income (as defined in §210.1-02 of Regulation S-X).
- ☒ (d) Statement of Changes in Financial Condition.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

***\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).***

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## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors  
South Atlantic Enterprises, Inc.

### Opinion on the Financial Statements

We have audited the accompanying statement of financial condition of South Atlantic Enterprises, Inc. as of December 31, 2019, the related statements of income, changes in stockholders' equity and cash flows for the year then ended, and the related notes and supplemental schedules (collectively referred to as the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of South Atlantic Enterprises, Inc. as of December 31, 2019, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.


### Basis for Opinion

These financial statements are the responsibility of South Atlantic Enterprises, Inc.'s management. Our responsibility is to express an opinion on South Atlantic Enterprises, Inc.'s financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to South Atlantic Enterprises, Inc. in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

### Supplemental Information

The information contained in Schedule I has been subjected to audit procedures performed in conjunction with the audit of South Atlantic Enterprises, Inc.'s financial statements. The supplemental information is the responsibility of South Atlantic Enterprises, Inc.'s management. Our audit procedures included determining whether the supplemental information reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in the supplemental information. In forming our opinion on the supplemental information, we evaluated whether the supplemental information, including its form and content, is presented in conformity with 17 C.F.R. §240.17a-5. In our opinion, Schedule I is fairly stated, in all material respects, in relation to the financial statements as a whole.



Scharf Pera & Co., PLLC

We have served as South Atlantic Enterprises, Inc.'s auditor since 2016.

Charlotte, North Carolina

February 20, 2020

**SOUTH ATLANTIC ENTERPRISES, INC.**  
**STATEMENT OF FINANCIAL CONDITION**  
**December 31, 2019**

**ASSETS**

Cash and cash equivalents	\$ 445,185
Marketable securities	8,797
Deposit-lease	<u>799</u>
	<b><u>\$ 454,781</u></b>

**LIABILITIES AND STOCKHOLDER'S EQUITY**

**Liabilities**

Accounts payable	\$ 1,058
Commitments and contingencies	<u>-</u>
	<u>1,058</u>

**Stockholder's Equity**

Common stock, \$1 par value, 100,000 shares authorized, 100 issued and outstanding	100
Additional paid-in capital	133,034
Retained earnings	<u>320,589</u>
	<u>453,723</u>
	<b><u>\$ 454,781</u></b>

See Accompanying Notes to Financial Statements.

**SOUTH ATLANTIC ENTERPRISES, INC.**  
**STATEMENT OF OPERATIONS**  
**For the year ended December 31, 2019**

**REVENUE**

Management and investment advisory income	\$ 197,625
Dividends and interest	4,463
Net trading gain	<u>3,723</u>
	<u>205,811</u>

**EXPENSES**

Employee compensation and benefits	95,000
Taxes and licenses	2,185
Payroll taxes	6,320
Technology and communications	802
Office expense and other	2,618
Rent/occupancy	10,427
Professional services	15,184
Travel	7,443
Meals and entertainment	1,736
Dues and publications	<u>3,494</u>
	<u>145,209</u>

**NET INCOME**

**\$ 60,602**

See Accompanying Notes to Financial Statements.

**SOUTH ATLANTIC ENTERPRISES, INC.**  
**STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY**  
For the year ended December 31, 2019

	<u>Common Stock</u>	<u>Additional Paid-In Capital</u>	<u>Retained Earnings</u>	<u>Total Stockholder's Equity</u>
<b>Stockholder's Equity January 1, 2019</b>	\$ 100	\$ 133,034	\$ 310,307	\$ 443,441
<b>Net Income</b>	-	-	60,602	60,602
<b>Distributions</b>	-	-	(50,320)	(50,320)
<b>Stockholder's Equity December 31, 2019</b>	<u>\$ 100</u>	<u>\$ 133,034</u>	<u>\$ 320,589</u>	<u>\$ 453,723</u>

See Accompanying Notes to Financial Statements.

**SOUTH ATLANTIC ENTERPRISES, INC.**  
**STATEMENT OF CASH FLOWS**  
**For the year ended December 31, 2019**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Net income	\$ 60,602
Adjustments to reconcile net income to net cash used in operating activities:	
Changes in operating assets and liabilities:	
Decrease in accounts payable	(155)
Increase in securities owned	<u>(3,723)</u>
<b>Net cash provided by operating activities</b>	<b><u>56,724</u></b>

**CASH FLOWS FROM FINANCING ACTIVITIES**

Shareholder distributions	<u>(50,320)</u>
<b>Net cash used in financing activities</b>	<b><u>(50,320)</u></b>

**NET INCREASE IN CASH** 6,404

Cash and cash equivalents at beginning of year 438,781

**Cash and cash equivalents at end of year** **\$ 445,185**

**SUPPLEMENTAL DISCLOSURES**

Cash paid during the year for:	
Interest expense	<u>\$ -0-</u>
Income taxes	<u>\$ -0-</u>

See Accompanying Notes to Financial Statements.

**SOUTH ATLANTIC ENTERPRISES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2019**

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES**

**Nature of operations**

The company generates its revenues by identifying private transactions for institutional investors and by introducing lenders to operating companies. The company is a non-carrying, non-clearing broker-dealer registered with the Securities and Exchange Commission and is a member of the Financial Industry Regulation Authority and the Securities Investor Protection Corporation.

**Accounting method**

The company uses the accrual basis of accounting for financial statement purposes. It is subject to regulation by the Securities and Exchange Commission and by the Financial Industry Regulation Authority, and it follows the accounting and record keeping policies established by those agencies.

**Revenue recognition**

On January 1, 2018, the company adopted ASU 2014-09 Revenue from Contracts with Customers and all subsequent amendments to the ASU (collectively, "ASC 606"). ASC 606 created a single framework for recognizing revenue from contracts with customers that fall within its scope. Under ASC 606 revenue is recognized upon satisfaction of performance obligations by transferring control over goods or service to a customer. Services within the scope of the ASC 606 include transaction agreements. The company generally recognizes revenue pursuant to the terms of its transaction agreements at the point in time that performance under the agreement is completed (the closing date of the transaction) or the contract is cancelled.

**Other revenue**

Investment transactions are accounted for on a trade date basis. Dividends are recorded on the ex-dividend date and interest is recognized on the accrual basis. Realized gains and losses from securities transactions are reported on a first-in, first-out basis.

**Income taxes**

The company has elected to be taxed under the provisions of Subchapter S of the Internal Revenue Code. Under those provisions, the company does not pay federal and state corporate income taxes on its taxable income, nor is it allowed a net operating loss carryover or carryback as a deduction. Instead, the shareholders are liable for individual federal and state income taxes on their respective shares of the company's net income/(loss) for the period.



## **NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)**

The company accounts for income taxes in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 740. FASB ASC 740-10 clarifies the accounting for income taxes, by prescribing a minimum recognition threshold a tax position is required to meet before being recognized in the balance sheet. It also provides guidance on derecognition, measurement and classification of amounts related to uncertain tax positions, accounting for and disclosure of interest and penalties, accounting in interim period disclosures and transition relating to the adoption of new accounting standards. Under FASB ASC 740-10, the recognition for uncertain tax positions should be based on a more-likely-than-not threshold that the tax position will be sustained upon audit. The tax position is measured as the largest amount of benefit that has a greater than fifty percent probability of being realized upon settlement. Management has determined that adoption of this topic has had no effect on the Company's balance sheet. The Company is no longer subject to federal or state income tax examinations by tax authorities for years before 2016.

### **Use of estimates**

The preparation of the financial statements in conformity with United States generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

### **Cash and cash equivalents**

Cash and cash equivalents include money market funds or highly liquid investments with original maturities of ninety days or less, other than those used for trading purposes.

### **Fair value of financial instruments—marketable securities**

FASB ASC Topic 820, "Fair Value Measurement," defines fair value, establishes a framework for measuring fair value, and establishes a fair value hierarchy which prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market.

Valuation techniques that are consistent with the market, income or cost approach, as specified by FASB ASC 820, are used to measure fair value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- Level 1: Fair value based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the company has the ability to access.
- Level 2: Fair value based on other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Fair value based on unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability. The unobservable inputs should be developed based on the best information available in the circumstances and may include the company's own data.

#### **NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)**

The securities owned by the company are all valued using Level 1 inputs. Additionally, the company's financial instruments include cash, prepaid expense, accounts payable, and accrued expenses. The carrying amounts of these financial instruments approximate fair value due to their short term maturities.

The company had no transfers into or out of Level 1 fair value instruments during 2019, nor did it hold any Level 2 or Level 3 financial instruments during 2019. The company uses the first-in, first-out (FIFO) method to determine the cost when calculating gains and losses on sales of marketable securities.

#### **NOTE 2 – MARKETABLE SECURITIES**

The company's marketable securities consist of corporate stocks that are valued using Level 1 inputs. As of December 31, 2019, the fair value was \$8,797.

#### **NOTE 3 – RETIREMENT PLAN**

The company has a SEP Plan covering its sole employee. The company may contribute up to 25% of eligible compensation for 2019, not to exceed certain established statutory limits. There was a \$15,000 contribution in 2019.

#### **NOTE 4 – EXEMPTION FROM RULE 15c3-3**

The company is registered with the Securities and Exchange Commission as a broker-dealer pursuant to Section 15(b) of the Securities Exchange Act of 1934. The company operates under the exemptive provisions (k)(2)(ii) of Rule 15c3-3 and therefore, is not required to maintain a "Special Reserve Bank Account for the Exclusive Benefit of Customers."

#### **NOTE 5 – UNCERTAINTIES, CONTINGENCIES AND RISKS**

The company maintains cash deposits in various financial institutions which, at times, may exceed Federal Deposit Insurance Corporation (FDIC) and Securities Investor Protection Corporation (SIPC) insured limits. At December 31, 2019, the company did not exceed insured limits. The company has historically not experienced any losses on its cash deposits in relation to FDIC and SIPC insurance limits.

The company has not accrued a loss contingency as there is no indication that it is probable or reasonably possible that an asset has been impaired or a liability had been incurred through February 20, 2020.

In the normal course of business, the company is subject to regulatory examinations or other inquiries. These matters could result in censures, fines or other sanctions. Management believes the outcome of any resulting action will not be material to the company's statement of financial condition. The company is not under any current examination as of February 20, 2020 and there are no actions to disclose.

#### **NOTE 6 – NET CAPITAL REQUIREMENT**

The company, as a registered broker-dealer, is subject to the Securities and Exchange Commission's Uniform Net Capital Rule (SEC Rule 15c3-1). This rule requires that the company maintain minimum net capital, as defined, of \$5,000 or 6-2/3 percent of aggregate indebtedness, as defined, and requires the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1, unless the company makes 10 or more trades during the year for its own account. During 2019, the company did not exceed 10 trades. At December 31, 2019, the company had net capital of \$330,590. This amount exceeded the required net capital by \$325,590. The company's aggregate indebtedness to net capital was .32% for the year ended December 31, 2019.

#### **NOTE 7 – LEASING ARRANGEMENT**

The company conducts its operations from office space that is leased under a twelve month operating lease that is set to expire on May 31, 2020 and has a fixed monthly rate of \$850. The future minimum lease payments for 2020 are \$4,250.

#### **NOTE 8 – SUBSEQUENT EVENTS**

The company evaluated events and/or transactions that may have occurred after the statement of financial condition date for potential recognition or disclosure through February 20, 2020, the date the financial statements were available to be issued. No other events or transactions were identified that affect the company's December 31, 2019 financial statements or that require further disclosure.

**SOUTH ATLANTIC ENTERPRISES, INC.  
SUPPLEMENTAL INFORMATION  
PURSUANT TO RULE 17A-5 OF THE  
SECURITIES EXCHANGE ACT OF 1934  
As of December 31, 2019**

The accompanying schedules are prepared in accordance with the requirements and general format of FOCUS Form X-17a-5.

**SCHEDULE I**  
**SOUTH ATLANTIC ENTERPRISES, INC.**  
**COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1 OF**  
**THE SECURITIES AND EXCHANGE COMMISSION**  
**As of December 31, 2019**

<b>TOTAL STOCKHOLDER'S EQUITY</b>	<b>\$ 453,723</b>
<b>DEDUCTIONS AND/OR CHANGES</b>	
Nonallowable assets	
Deposit	<b>\$ (799)</b>
Cash	<b><u>(114,398)</u></b>
<b>TENTATIVE NET CAPITAL</b>	<b>338,526</b>
Haircut on securities and money market	<b><u>(7,936)</u></b>
<b>NET CAPITAL</b>	<b><u>\$ 330,590</u></b>
<b>AGGREGATE INDEBTEDNESS</b>	
Accounts payable	<b><u>\$ 1,058</u></b>
<b>PERCENTAGE OF AGGREGATE INDEBTEDNESS TO NET CAPITAL</b>	<b><u>0.32%</u></b>
<b>MINIMUM NET CAPITAL REQUIRED</b>	<b><u>\$ 5,000</u></b>
<b>EXCESS OF NET CAPITAL OVER MINIMUM REQUIRED</b>	<b><u>\$ 325,590</u></b>

The net capital reported of \$330,590 agrees in all material respects with the company's computation and amount reported in Part II of Form X-17a-5 (unaudited) FOCUS report as of December 31, 2019.

**SOUTH ATLANTIC ENTERPRISES, INC.**  
**STATEMENT REGARDING SCHEDULES II, III, AND IV**  
**As of December 31, 2019**

Schedules II, III and IV are not applicable. The company has claimed an exemption from SEC Rule 15c3-3.



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704 377-3259 fax  
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## **REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors  
South Atlantic Enterprises, Inc.

We have reviewed management's statements, included in the accompanying Exemption Report, in which (1) South Atlantic Enterprises, Inc. identified the following provisions of 17 C.F.R. §15c3-3(k) under which South Atlantic Enterprises, Inc. claimed an exemption from 17 C.F.R. §240.15c3-3: (k)(2)(ii) (the "exemption provisions") and (2) South Atlantic Enterprises, Inc. stated that South Atlantic Enterprises, Inc. met the identified exemption provisions throughout the most recent fiscal year without exception. South Atlantic Enterprises, Inc.'s management is responsible for compliance with the exemption provisions and its statements.

Our review was conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States) and, accordingly, included inquiries and other required procedures to obtain evidence about South Atlantic Enterprises, Inc.'s compliance with the exemption provisions. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on management's statements. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to management's statements referred to above for them to be fairly stated, in all material respects, based on the provisions set forth in paragraph (k)(2)(ii) of Rule 15c3-3 under the Securities Exchange Act of 1934.

A handwritten signature in cursive script that reads "Scharf Pera &amp; Co., PLLC".

Scharf Pera & Co., PLLC  
Charlotte, North Carolina  
February 20, 2020

South Atlantic Enterprises, Inc.  
Exemption Provision Under Rule 15c3-3 Report  
For the year ended December 31, 2019

South Atlantic Enterprises, Inc. is claiming, under its best knowledge and belief, exemption 17 C.F.R. 240.15c3-3, provision k(2)(ii), "All customer transactions cleared through another brokerage-dealer on a fully disclosed basis."

South Atlantic Enterprises, Inc. met, under its best knowledge and belief, exemption 15c3-3, provision k(2)(ii) throughout the year ended December 31, 2019 without exception. No customer funds were received during the year ended December 31, 2019.

A handwritten signature in black ink, appearing to read "Robert L. Abbott, Jr.", with a stylized flourish at the end.

Robert L. Abbott, Jr.

February 20, 2020